

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB BURNS
DOUG LITTLE
TOM FORESE

Arizona Corporation Commission

DOCKETED

JUL 01 2015

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IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF ITS 2016
RENEWABLE ENERGY STANDARD
IMPLEMENTATION FOR RESET OF
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-15-0241

**APPLICATION FOR APPROVAL
OF 2016 RES IMPLEMENTATION
PLAN**

The attached 2016 – 2020 Renewable Energy Standard Implementation Plan (2016 RES Plan or Plan) continues APS's commitment to the renewable energy targets established by the Commission's RES rules. APS submits its 2016 RES Plan (attached as Exhibit A) pursuant to A.A.C. R14-2-1813 and in accordance with Staff's standardized reporting format developed pursuant to Decision No. 72737 (Jan. 18, 2012). Also attached is a one-page summary of the Plan (Exhibit B) and a PowerPoint presentation outlining highlights of the Plan (Exhibit C) as required by Decision No. 72022 (Dec. 12, 2010).

1 APS's 2016 RES Plan requests funding for existing projects and commitments,
2 including legacy performance based incentives, renewable purchase power costs and
3 ongoing program administrative costs, including those associated with the
4 unprecedented high volume of rooftop solar interconnection applications. No new
5 programs are proposed in the Plan. The Plan seeks budget approval in the total amount
6 of approximately \$147.9 million for 2016, including approximately \$118.2 million that
7 will be collected through the RES adjuster in 2016. The Plan also includes estimated
8 RES budgets through 2020 as required.

9 The Plan includes the following:

- 10 • Summary information regarding the amount of renewable generation on
11 APS's system and its compliance with the RES and 2009 Settlement
12 benchmarks;
- 13 • A request to carryover any remaining 2015 funding for the Solar Water
14 Heating Program into 2016;
- 15 • A request to continue the Green Choice Rates as previously approved; and
- Estimated budgets for 2016 through 2020.

16 APS also proposes minor clarifying changes to the Company's Rate Rider Schedule
17 LFCR-DG. This Application briefly touches upon each in turn.

18 **I. PLAN HIGHLIGHTS**

19 **A. APS Continues to Exceed Compliance with the RES**

20
21 The Renewable Energy Standard (RES) requires APS to obtain 6 percent of its
22 retail sales with renewable energy resources by the end of 2016. APS anticipates, given
23 the amount of renewable energy already in its diverse resource portfolio and the current
24 volume of interconnection applications for distributed generation, that approximately 12
25 percent of the Company's retail sales will be met by renewable resources by the end of
26 2015. In addition, APS is on track to comply with the renewable energy obligations
27 contained in its 2009 Settlement and is ahead of compliance with both the residential
28 and non-residential distributed generation (DG) targets contained in the RES. As

1 outlined in its Plan, by the end of 2016, APS projects that it will be in compliance with
2 the non-residential DG targets through 2021 and the residential DG targets through
3 2016, excluding DG systems that did not receive an incentive. If non-incented DG
4 systems are considered as contemplated in the Commission's revised RES rules
5 (effective April 20, 2015), APS could be in compliance with the non-residential targets
6 through 2021 and the residential targets through 2022.

7 **B. 2015 Solar Water Heating Program Funds to be Carried Over**

8 In Decision No. 74237 (Jan. 7, 2014) approving APS's 2014 RES Plan, the
9 Commission approved a \$0.30 per watt incentive for solar water heating projects. In
10 2015, the Commission continued this incentive program at \$0.30 per watt with a total
11 budget of \$500,000. The Commission noted in its order, however, that "all stakeholders
12 are put on notice that this program appears to be under-subscribed and is unlikely to be
13 funded in future REST plans." See Decision No. 74949 at 8:10-12 (Feb. 6, 2015). The
14 Commission also directed APS to consider solar water heating as a potential energy
15 efficiency program.

16 In addition to prior customer awareness initiatives, marketing efforts for this
17 program are planned for later this year. APS proposes to continue marketing and
18 implementing the program until the existing program funds from 2015 are depleted and
19 intends to carryover any remaining 2015 budget funds into 2016.

20 As directed, APS has evaluated solar water heating as a potential energy
21 efficiency program. The report of that evaluation can be found in APS's 2016 Demand
22 Side Management Report filed on June 1, 2015 in Docket No. E-01345A-15-0182.
23 Based upon current costs and savings estimates, solar water heating is unable to pass the
24 societal cost test and thus was not included as a proposed energy efficiency program in
25 APS's 2016 DSM Plan.

26 **C. Report and Analysis Comparing Costs of Renewable Options**

27 In Decision No. 74949 (February 9, 2015), the Commission ordered APS to study
28 large scale utility-owned distributed generation facilities, sized at one MW or larger and

1 located within a utility's grid, which could provide most of the benefits of rooftop DG.
2 The study will also include a comparison of company-owned and customer-owned DG
3 options.

4 APS is currently working on the details of an analysis that will compare the
5 levelized cost of energy (LCOE) of large scale DG facilities to typical rooftop DG
6 facilities. In addition, the analysis will consider the differences in the LCOE based on
7 whether the project is utility owned or third party owned. The impact to non-solar
8 customers from third-party rooftop systems will also be included. APS will supplement
9 its Plan when this analysis is complete.

10 **D. Continuation of Green Choice Program**

11 The Plan seeks a one-year extension of the Company's existing Green Choice
12 Program and associated Green Power Rate Schedules GPS-1, GPS-2 and GPS-3. APS
13 will be exploring options for revising its Green Choice Programs and will be looking at
14 alternatives to the current Green-e certification program that it is using to certify the
15 renewable energy credits (RECs) associated with this program.

16 **II. APS'S PLAN PROPOSES A BUDGET AND RES ADJUSTOR TO** 17 **SUPPORT EXISTING APPROVED PROJECTS AND COMMITMENTS**

18 **A. Proposed 2016 Budget**

19 APS requires a total 2016 RES budget of approximately \$147.9 million. This is
20 approximately \$6 million less than the budget for 2015. As part of standard program
21 management practice and to moderate the 2016 budget impact on customers, APS
22 intends to apply budget offsets that will reduce the amount APS must collect through the
23 RES adjustor for 2016 to approximately \$118.2 million. The 2016 budget offsets include
24 approximately \$6 million collected from base rates, production tax credits of
25 approximately \$8 million, Green Choice program revenue of approximately \$1.7
26 million, and \$14 million in reallocated program funds. See RES Plan at Exhibit 1A.

1 **B. Reallocation of Collected, But Unallocated, Program Funds**

2 A total of approximately \$31.5 million is available to be reallocated to mitigate
3 the effects of the 2016 and 2017 budgets and to correspondingly reduce the amount that
4 need to be collected through the RES adjustor. These funds are the result of variances in
5 power purchase costs, programs being completed under budget, cancellation of prior
6 authorized contracts, and rollover funds. In its 2015 RES Plan, APS applied \$14
7 million in unallocated existing program funds as a direct offset to the 2015 RES budget
8 to reduce the RES adjustor. As in prior years, APS proposes to apply existing collected,
9 but unallocated funds, to reduce the amounts that must be collected through the RES
10 adjustor in 2016 and 2017. Specifically, APS proposes to apply \$14 million to support
11 the 2016 budget.¹ The remaining balance will be applied in subsequent years to reduce
12 adjustor collections and minimize budget impacts on customers. This will allow the
13 RES adjustor to remain flat in 2016 and, based upon current projections, it is anticipated
14 that the adjustor will remain flat or decline in 2017.

15 **C. Production Tax Credits (PTCs) from AZ Sun**

16 As discussed in the Plan, APS receives PTCs from the state of Arizona due to its
17 ownership of the AZ Sun projects. These PTCs vary from year to year depending on
18 actual energy production. APS projects that it will receive approximately \$8 million in
19 PTCs for AZ Sun in 2016. APS intends to apply these funds to its 2016 budget to
20 reduce the amount that must be collected through the RES adjustor.

21 **D. Adjustment Schedule REAC-1**

22 As noted above, the Company's proposed 2016 Plan budget, including funding
23 offsets, will result in a recovery of approximately \$118.2 million through Adjustment
24 Schedule REAC-1. Under this Plan, residential customers subject to the REAC-1 cap
25 will pay \$4.39 per month while those residential DG customers subject to the average
26

27 _____
28 ¹ This amount will include interest on the unallocated funds in accordance with Decision No. 74237
(January 7, 2014).

1 charge as ordered in Decision No. 73660 (Feb. 6, 2013) will pay \$4.00 per month. *See*
2 Exhibit 1B to the Plan.

3 Adjustment Schedule REAC-1 is attached as Exhibit D and, for the
4 Commission's convenience, a redlined copy is attached as Exhibit E.

5 **III. EXEMPTION OF ECT-1R FROM GRID ACCESS CHARGE AND**
6 **CLARIFICATION REGARDING UNREGISTERED GENERATOR**
7 **CHARGE**

8 APS additionally seeks minor revisions to Rate Rider Schedule LFCR-DG,
9 Residential Service Interim Adjustment for New Distributed Generators (Grid Access
10 Rate Rider), to (i) exempt residential customers who are paying demand charges under
11 Rate Schedule ECT-1R from the Grid Access Rate Rider, and (ii) clarify the application
12 of the charge for unregistered generators. In Decision No. 74202 (Dec. 3, 2013), the
13 Commission approved a \$0.70 per kW per month charge (Grid Access Charge) for
14 customers installing and interconnecting distributed generation after January 1, 2014 to
15 address a cost shift from DG customers to non-DG customers. Customers who take
16 service under retail Rate Schedule ECT-2 or successor rate schedules were specifically
17 exempted from having to pay the Grid Access Charge because ECT-2 addresses, at least
18 in part, the cost-shift through a demand-based rate design. Retail Rate Schedule ECT-
19 1R has a similar design and demand component as ECT-2. Thus, for the same reasons
20 that the Commission exempted ECT-2 customers from the Grid Access Charge, APS
21 requests that customers on ECT-1R also be exempt from the Grid Access Charge.

22 The Grid Access Rate Rider also provides a mechanism to charge customers
23 \$3.00 per kW per month if they are found to have installed and interconnected a
24 distributed generation system to APS's system without registering their system through
25 APS's interconnection process. Specifically, the \$3.00 per kW per month charge,
26 referred to as the "Generator Not Registered with APS" charge, applies to those
27 customers found to have improperly interconnected with the grid either by failing to
28 submit an application to interconnect or by failing to comply with the interconnection

1 guidelines. This charge is to prevent unregistered systems, which can cause safety and
2 other hazards to both the customer and to APS employees, as well as to the grid itself.
3 APS proposes to clarify that this charge applies beginning in the month APS detects the
4 unregistered system and ends when the unregistered distributed generation facility is
5 shut off while the Company's interconnection procedures are implemented. In addition,
6 APS seeks to clarify that unregistered customers will be subject to the charge for a
7 minimum of one month. The proposed Grid Access Rate Rider is attached as Exhibit F
8 and, for the Commission's convenience, a redlined copy is attached as Exhibit G.

9 **IV. CONCLUSION**

10 In short, APS's 2016 RES Plan provides continued support and funding for all
11 previously approved RES programs and commitments that will enable APS to meet its
12 obligations under the RES while moderating incremental rate impact. Accordingly, APS
13 requests that the Commission approve APS's 2016 RES Plan and budget as proposed
14 along with the minor revisions to the Grid Access Rate Rider described herein.

15 RESPECTFULLY SUBMITTED this 1st day of July, 2015.

16
17
18 By:  FOR

19 Melissa M. Krueger

20 Attorney for Arizona Public Service Company
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1 ORIGINAL and thirteen (13) copies
2 of the foregoing filed this 1st day of
3 July 2015, with:

4 Docket Control
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Exhibit A

APS Renewable Energy Standard Implementation Plan 2016-2020



aps

**Renewable Energy Standard
Implementation Plan 2016-2020**

July 1, 2015

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i. Executive Summary

Arizona Public Service (APS or Company) is required by the Renewable Energy Standard (RES) to achieve 6.0 percent of retail sales with renewable resources by year-end 2016, increasing annually to 10.0 percent in 2020. In the following 2016-2020 RES Implementation Plan (Plan), APS requests funding approval for existing program commitments and deployment of previously authorized programs. The Company expects to achieve compliance with its 2016 RES requirements provided all of the resources discussed herein are authorized and continued as previously approved in prior Arizona Corporation Commission (Commission) decisions.

Renewable Generation. In Decision No. 74237 (January 7, 2014), the Commission authorized APS to move ahead with 20 MW of utility-scale, renewable generation (RG) projects under the AZ Sun Program. These projects include a 10 megawatt (MW) solar facility at Luke Air Force Base and the 10 MW Desert Star Solar Plant at the City of Phoenix's Buckeye landfill. Both projects will be in commercial operation during the third quarter of 2015.

Distributed Generation. Consistent with Commission requirements on incentive funding step downs and APS performance with the distributed generation (DG) requirements, APS ceased offering direct cash incentives for residential and non-residential solar PV grid-tied resources as of the end of 2013. As of June 28, 2015, 22,394 residential customers and 999 non-residential customers have received incentives to interconnect PV systems, with associated capacity of 153.6 MW-AC and 231.4 MW-AC, respectively. Based upon these currently installed resources, as well as commitments from previously approved program budgets, APS projects it will be in compliance with non-residential energy targets through 2020 and residential DG energy targets through 2016. APS is not requesting monies for new solar PV grid-tied resource incentives in the Plan. The above DG forecast does not include renewable energy credits (RECs) associated with non-incented installations. Through June 28, 2015, 11,338 residential PV grid-tied systems for 84 MW-AC and 220 non-residential PV systems for 13.9 MW-AC have been installed and interconnected without receiving direct cash incentives. Considering all installations, both incented and non-incented, along with projections based on the current rate of solar installations, APS expects to meet residential DG compliance through 2022 and non-residential DG compliance through 2021 by the end of 2016.

Budget. The requested budget for APS's 2016 Plan consists of funding for previously authorized programs including PBI legacy payments, purchased power and revenue requirement costs, educational outreach, and administration of prior initiatives currently being implemented.

APS expects the total base budget for PBI and other DG legacy costs, PPA projects, and APS-owned projects in 2015 to be \$147.9 and the five-year total for the 2016-2020 Plan to be \$531.8 million, not including any funding offsets.

I. Introduction

In the 2016-2020 RES Implementation Plan, APS provides an update on authorized renewable energy programs, including legacy customer incentive programs, generation projects, and the Green Choice Program, as well as any related budget requirements.

A. 2016-2020 RES Requirement

The Arizona RES was established in August 2007, and requires APS to file a Plan each year for review and approval by the Commission.¹ The Plan describes the Company's strategy to meet the requirements of the RES for the next five calendar years, identifying the eligible technologies, the expected schedule for the resource incorporation on a year-by-year basis, and both the megawatts (MW) and megawatt hours (MWh) expected to be added to the APS portfolio by the incorporation of those resources.

APS has prepared this Plan for the five year period 2016-2020 in compliance with the RES Rules. The RES requires that affected utilities satisfy an annual renewable energy requirement by providing a percentage of their electric retail sales from renewable energy resources. The required percentage for the current implementation period begins at 6 percent in 2016 and increases to 10 percent in 2020. The RES requires that the minimum percentage increases to 15 percent of the utility's total retail sales by the year 2025.

Per Decision No. 74882 (December 31, 2014), compliance with the Distributed Generation (DG) rules may be met absent direct cash incentives. The Commission requires APS to include information in its Plan on the Company's compliance standing both with and without being able to record renewable energy installed independently by a customer without receiving a direct cash incentive (described herein as non-incented installations). Exhibits 2B and 2C identify distributed generation production under both scenarios requested by the Commission. Other energy exhibits in this Plan show existing and projected non-incented installations.

B. 2009 rate case settlement requirements

The Company's 2009 Rate Case Settlement² (2009 Settlement) adopted provisions that exceed the requirements of the Arizona RES. The 2009 Settlement required, among other provisions, "that Arizona Public Service Company shall acquire new renewable energy resources with annual generation or savings of at least 1.7 million Megawatt hours to be in service by 2015..."³ It further states that "These new resources shall be in addition to existing resources or commitments as of the end of 2008, as identified in APS's 2008 RES

¹ A.A.C. R14-2-1801 et. seq.

² Decision No. 71448 (December 30, 2009).

³ *Id.*

Compliance Report...⁴ As a result of current economic and sales forecasts, APS expects to maintain its renewable energy obligations by the end of 2015 and meet the 1.7 million MWh requirement; further, APS expects that approximately 12 percent of the Company's retail sales will be met by renewable resources by year-end 2015.

II. Renewable Generation

Renewable Generation resources within the APS portfolio are larger-scale renewable energy resources that serve the energy demand of all APS customers. These resources are part of the Company's energy portfolio as provided to the Commission in the Company's 2014 Integrated Resource Plan⁵ and are applied to APS's overall RES requirements. APS is required to include estimated pricing information related to RG projects. Similar to prior Plans, APS has included a redacted version of the information in Exhibits 3B and 3D and is providing un-redacted pricing information directly to the Commission.

This plan reviews a number of APS's renewable energy programs that have been authorized through prior Commission orders and are continued through approval of APS's annual Plan filings.

In Decision No. 74237,⁶ the Commission authorized APS to move ahead with 20 MW of utility-scale, renewable generation (RG) projects under the AZ Sun Program. These projects include a 10 megawatt (MW) solar facility at Luke Air Force Base and the 10 MW Desert Star Solar Plant at the City of Phoenix's Buckeye landfill. Both projects will be in commercial operation during the third quarter of 2015.

III. Distributed Generation

A. APS interconnection program

Consistent with Commission requirements on incentive funding step downs and APS performance with the DG requirements, APS ceased offering direct cash incentives for residential and non-residential solar PV grid-tied resources as of the end of 2013. The Company has nonetheless been experiencing historic monthly application rates for non-incented residential PV grid-tied generating facilities during 2015; indeed, the 2015 residential application volume through the end of May is nearly double that of the same period in 2014, and we do not expect that this pace will slacken. At this time, the Company is not seeking either RES budget monies or authorization for new distributed generation incentive programs in 2016.

⁴ *Id.*

⁵ Docket No. E-0000V-13-0070, filed in compliance with Ariz. Admin. Code R14-2-703.

⁶ Decision No. 74237 (January 7, 2014)

With the high volume of interconnection requests comes increased activity in the areas of application review and meter installation, and our RES budget request of \$6.8 million for distributed generation program administration and implementation reflects this market reality.

B. Managing long-term PBI contracts and payments

From 2009 to 2013, APS was authorized to implement annual production-based incentive (PBI) programs for non-residential customers who deploy PV grid-tied resources at commercial sites. PBIs are paid on a cents/kWh basis for actual solar generation. These legacy PBI contracts provide customers with long-term, ongoing RES budget commitments that are gradually paid out over a period of up to 20 years.

APS has entered into long-term PBI contracts totaling \$652.6 million over the life of the RES. By the end of 2015, the Company will have paid approximately \$134 million cumulatively against the total. APS estimates that at the end of 2016, \$480.9 million in lifetime PBI payments will remain to be collected and paid for through future RES budgets, with \$37.7 million projected to be paid during 2016. Exhibit 3C also includes the amortization of PBI commitments through ongoing incentive payments as well as the reduction in remaining PBI authorizations no longer needed to complete prior programs.

APS renewable energy program staff manage all of the associated PBI credit purchase contracts, assists customers with system modification queries, and support various departments within the Company to manage quarterly PBI payment processing, facilitate CPA assignments and contact or payee information changes, as well as resolve customer billing queries. Ongoing PBI contract management is included in our RES budget request of \$6.8 million for distributed generation program administration and implementation.

C. Solar water heating

Consistent with Decision No. 74949 approved on February 9, 2015, APS is not requesting new funding for solar water heating (SWH) resources in the 2016 Plan. The Company will, however, continue to market the solar water heating incentive program and disburse incentives until the budget is exhausted. The beginning budget for this program was \$500,000 and approximately \$418,000 remained as of June 28, 2015.

Seeking to increase awareness of both the SWH incentive program, as well as the value of this solar resource, the Company passed out collateral at high-profile sporting events such as the Diamondbacks Green Game and distributed a newsletter to 1.2 million customers during the June 2014 billing cycle. Not only will we continue to distribute program materials throughout the remainder of 2015 at community and sporting events, but APS will also issue an October 2015 bill insert with a spotlight on solar water heating incentives. Further, APS will work with stakeholders to develop new ways to educate customers about solar water heating. The Educational Outreach budget of \$100,000 supports this and other RES-attributable marketing efforts (see below). Application processing and inspections for solar

water heating systems are supported by the \$6.8 million distributed generation program administration and implementation budget.

IV. Program Administration

A. Distributed Energy Administration Plan (DEAP)

The DEAP is a master program administration guideline that APS posts on its public website at aps.com/renewables. APS has made no new changes to the DEAP that was approved in Decision No. 74883 on December 31, 2014.

B. Educational outreach

Under the Educational Outreach budget, APS publicly posts and maintains information about the current status of DG adoption and programs on ArizonaGoesSolar.org. In addition, this budget includes expenses associated with developing and updating RES-attributable educational and program materials that are made available to customers and other public stakeholders through aps.com website updates, bill inserts, and printed matter. APS requests \$100,000 in 2016 to continue funding RES-attributable education and outreach.

C. Green Choice program

APS requests that the Commission approve a one-year extension of the Company's Green Choice program and the associated Green Power Rate Schedules GPS-1, GPS-2, and GPS-3. The Green Choice Program provides customers with the ability to participate in a renewable energy resource program by purchasing electricity generated from renewable resources for their homes and businesses. APS is exploring the possibility of replacing or revising its Green Choice Program and will be looking at alternatives to the current Green-e certification program the Company uses to verify the associated RECs.

V. Budget

The budget for APS's 2016 Plan consists of funding for previously authorized programs including PBI legacy payments, purchased power and revenue requirement costs, and prior initiatives currently being implemented.

On May 24, 2012, the Commission resolved APS's most recent rate case in Decision No. 73183. That Decision impacted the RES program as the Commission reaffirmed that APS can recover, through the RES adjustor, the revenue requirements associated with those APS renewable energy-related capital investments made in compliance with Decision No. 71448.⁷ APS may do so until it is specifically authorized to recover those costs in base rates

⁷ Decision No. 73183, Settlement Agreement, paragraph 8.2.

or another adjustor.⁸ The Commission has approved several APS-owned capital investments for purposes of compliance with Decision No. 71448, including the AZ Sun Program and the Schools and Government Program.

The total base RES budget in 2016 is \$147.9 million and the five year total for the 2016-2020 Plan is projected to be \$531.8 million, not including any funding offsets.

APS intends to apply several credits and revenue streams to lower total RES adjustor collections needed in 2016 and 2017. Offsets to the 2016 budget (see Exhibit 3A) include \$6.0 million from the System Benefit Charge included in base rates and \$23.7 million in budget reductions from Production Tax Credit (PTC) funds, rate program revenues, and general reallocation offsets due to variances in power purchase costs, programs completed under budget, and cancelled projects. After applying these funding offsets, the total requested RES adjustor collection for 2016 is \$118.2 million.⁹

A. Production tax credits

Through APS's ownership of its AZ Sun projects, the Company will receive tax credits from the Arizona state production tax credit (PTC) program from 2016 through 2020.¹⁰ Actual PTC amounts will vary each year depending on actual energy production from each eligible project compared to its forecasted annual production, as well as an annually declining credit per MWh produced. PTC credits have already been approved for the Company's Paloma, Cotton Center, Hyder, Chino Valley, and Foothills facilities, which were placed in service from 2011 to 2014. As shown in Exhibit 3A, expected PTC available in 2016 is \$8 million, compared with \$8.3 million in 2015. The AZ Sun projects listed above are forecasted to contribute a total of \$32.4 million in PTC revenue between 2016 and 2020, and approximately \$64 million over the life of the PTC.

Consistent with the 2015 Plan, APS is using its full annual AZ Sun PTC to offset the cost of the 2016 RES budget.

B. Reallocation of program funds

In prior RES Plans, APS has applied a portion of the Company's unallocated program funds as a direct offset to a given year's budget to reduce the need for additional RES collections.

Additional collected program funds are available for budget offsets due to variances in power purchase costs; programs completed under budget, rollover funds, and canceled projects. As of May 31, 2015, \$31.5 million is available for future RES budget offsets. As authorized in the 2015 Implementation Plan, APS proposes to apply \$14 million of the available funds towards reducing RES adjustor collections for the 2016 budget—in part to minimize year-over-year budget impacts. Any additional balance in the Company's unallocated program funds will be applied in subsequent program years.

⁸ *Id.*

⁹ See Exhibit 3A.

¹⁰ 2010 Senate Bill 1254 established Arizona's Production Tax Credit.

Exhibit 1A: APS 2016 - 2020 RES Program Summary

Line No.	APS RES Targets (MWh)	2016	2017	2018	2019	2020
1	APS Estimated Retail Sales	28,521,089	28,996,597	29,558,195	30,140,948	30,599,406
2	APS RES Target - % of Retail Sales	6.0%	7.0%	8.0%	9.0%	10.0%
3	APS Total RES Requirement	1,711,265	2,029,762	2,364,656	2,712,685	3,059,941
4	RES Generation Target	1,197,886	1,420,833	1,655,259	1,898,880	2,141,958
5	Distributed Energy % of RES Requirement	30%	30%	30%	30%	30%
6	Distributed Energy Requirement	513,380	608,929	709,397	813,806	917,982
7	Residential Distributed Energy (50%)	256,690	304,464	354,699	406,903	458,991
8	Non-Residential Distributed Energy (40%)	205,352	243,571	283,759	325,522	367,193
9	Wholesale Distributed Energy (10%) ¹	51,338	60,893	70,940	81,381	91,798
10	Renewable Generation (MWh)					
11	RES Generation Target	1,197,886	1,420,833	1,655,259	1,898,880	2,141,958
12	Existing/Planned Generation Owned/Contracted	2,561,160	2,541,191	2,527,614	2,513,660	2,506,575
13	Energy Applied To/(Withdrawn From) APS Bank for RES (line 18 - line 16)	1,363,274	1,120,357	872,355	614,781	364,617
14	Customer Sited Distributed Energy (MWh)					
15	RES Distributed Energy Requirement	513,380	608,929	709,397	813,806	917,982
16	Estimated Existing Distributed Energy ²	807,469	816,475	825,975	835,872	845,748
17	Energy Applied To/(Withdrawn From) APS Bank for RES (line 25 - line 23)	294,089	207,546	116,578	22,067	(72,234)
18	Total RES Energy (MWh)					
19	Non-Incented DE Installations	327,008	398,747	464,711	530,675	596,639
20	Total RES Requirement	1,711,265	2,029,762	2,364,656	2,712,685	3,059,941
21	Total Expected RES Production (line 18 + line 25)	3,368,629	3,357,666	3,353,589	3,349,533	3,352,324
22	Energy Applied To/(Withdrawn From) APS Bank for RES (line 34 - line 32)	1,657,363	1,327,904	988,933	636,847	292,383
23	Non-Incented DE Installations	327,008	398,747	464,711	530,675	596,639
24	APS RES Budget Summary (\$ M's)					
25	Total Renewable Generation ³	\$ 98.2	\$ 75.8	\$ 42.6	\$ 43.2	\$ 44.1
26	Total Distributed Energy ³	\$ 49.6	\$ 46.7	\$ 44.4	\$ 43.7	\$ 43.4
27	Base RES Program Budget	\$ 147.9	\$ 122.5	\$ 87.0	\$ 87.0	\$ 87.5
28	Base Rates	\$ (6.0)	\$ (6.0)	\$ (6.0)	\$ (6.0)	\$ (6.0)
29	Production Tax Credits	\$ (8.0)	\$ (7.4)	\$ (6.8)	\$ (5.9)	\$ (4.3)
30	Estimated Green Choice Revenue Credit	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (1.7)
31	Estimated Years Rollover Funds and Other Credits	\$ (14.0)	\$ TBD	\$ TBD	\$ TBD	\$ TBD
32	RES Adjustor Collection ⁴	\$ 118.2	\$ 107.4	\$ 72.5	\$ 73.4	\$ 75.5

Notes:

¹ Per AAC R14-2-1805.

² Does not include non-incentive installations from residential and non-residential energy sources towards compliance. Non-incentive installations defined as installations made by customers without taking a direct cash incentive and without transferring REC ownership to APS.

³ Assumes July 2017 rate case adjudication.

⁴ See Exhibit 1B for RES Adjustor Schedule.

Exhibit 1B: RES Adjustor Schedule

		Residential	XS Commercial (<20 kW)	XS/Small Commercial (20-100kW)	Medium Commercial (100-400 kW)	Large Commercial (400-3,000 kW)	Industrial (>3,000 kW)
		\$0.010963/kWh					
2016 Charge/Cap (Non-DG Customers)	\$4.39	\$162.88		\$274.08	\$548.15	\$3,562.00	
2016 Average (DG Customers)	\$4.00	Cap: \$162.88 Floor: \$9.15	Cap: \$162.88 Floor: \$45.77	\$235.06	\$479.33	\$3,562.00	

Exhibit 2A: Targeted Resources

Line No.	Targeted Generation Resources: 2	Ownership ¹	Actual / Expected Completion	2016-2020 Total MWac	2016	2017	2018	2019	2020	Total
1	Solar:									
2	Ajo	3rd Party PPA	Online	4.5	10,285	10,204	10,153	10,102	10,080	50,824
3	Prescott	3rd Party PPA	Online	10	24,657	24,344	24,101	23,860	23,685	120,647
4	Badger	3rd Party PPA	Online	15	39,675	39,338	39,056	38,773	38,545	195,386
5	Gillette	3rd Party PPA	Online	15	42,341	42,006	41,796	41,587	41,500	209,230
6	Saddle Mountain	3rd Party PPA	Online	15	34,330	33,961	33,689	33,420	33,245	168,645
7	Solana CSP	3rd Party PPA	Online	250	937,739	934,819	934,819	934,819	937,739	4,679,935
8	Small Solar Sites	APS	Online	4.6	9,953	9,953	9,953	9,953	9,953	49,766
9	Faloma	APS	Online	17	40,734	40,318	40,036	39,756	39,606	200,449
10	Hyder I	APS	Online	16	40,181	39,862	39,663	39,464	39,383	198,553
11	Cotton Center	APS	Online	17	45,442	45,213	45,122	45,032	45,080	225,889
12	Chino Valley	APS	Online	19	47,504	47,267	47,030	46,795	46,561	235,157
13	Foothills I/II	APS	Online	35	111,272	110,368	109,816	109,267	109,064	549,788
14	Hyder II	APS	Online	14	45,619	45,255	45,029	44,804	44,713	225,420
15	Gila Bend	APS	Online	32	108,225	107,344	106,808	106,274	106,076	534,727
16	Luke AFB	APS	Mid 2015	10	34,861	34,584	34,412	34,240	34,169	172,265
17	Desert Star	APS	Mid 2015	10	35,544	35,265	35,088	34,913	34,838	175,648
18										
19	Wind:									
20	Aragonne Mesa	3rd Party PPA	Online	90	269,239	269,239	269,239	269,239	269,239	1,346,193
21	High Lonesome	3rd Party PPA	Online	100	300,495	299,592	299,592	299,592	300,495	1,499,765
22	Perrin Ranch	3rd Party PPA	Online	99	227,074	226,416	226,416	226,416	227,074	1,133,396
23										
24	Geothermal:									
25	Salton Sea/CE Turbo	3rd Party PPA	Online	10	63,617	63,419	63,419	63,419	63,617	317,490
26										
27										
28	Biomass/Biogas:									
29	Snowflake	3rd Party PPA	Online	14	52,167	42,326	32,279	21,838	11,707	160,317
30	Sexton (Glendale Landfill)	3rd Party PPA	Online	2.9	17,586	17,538	17,538	17,538	17,586	87,786
31	Northwest Regional Landfill Gas	3rd Party PPA	Online	3.2	22,622	22,560	22,560	22,560	22,622	112,923
32										
33										
34										
35	Total Targeted Generation			803	2,561,160	2,541,191	2,527,614	2,513,660	2,506,575	12,650,200
36										
37	Targeted Distributed Energy Resources: 3									
38	Residential:									
39	UFI Installations	Customer-Sited DE	Various	Various	291,556	291,556	291,556	291,556	291,556	1,457,780
40	Non-Incentive Installations ⁴	Customer-Sited DE	Various	Various	298,705	366,086	427,692	489,298	550,904	2,132,685
41	Flagstaff Community Power Project	APS	Online	0.4	764	764	764	764	764	3,820
42										
43	Subtotal Residential				591,025	658,406	720,012	781,618	843,224	3,594,285
44	Non-Residential:									
45	UFI Installations	Customer-Sited DE	Various	Various	39,936	39,936	39,936	39,936	39,936	199,682
46	PBI Installations	Customer-Sited DE	Various	Various	228,566	228,566	228,566	228,566	228,566	1,142,830
47	Non-Incentive Installations ⁴	Customer-Sited DE	Various	Various	28,303	32,661	37,019	41,377	45,735	185,095
48	DE RFP	Customer-Sited DE	Online	35	79,451	79,173	78,896	78,620	78,344	394,483
49	Schools & Government (3rd-Party Owned)	Customer-Sited DE	Online	45	73,415	73,415	73,415	73,415	73,415	367,075
50	Schools & Government (Utility-Owned)	APS	Online	13	40,677	40,406	40,136	39,868	39,603	200,689
51	Flagstaff Community Power Project	APS	Online	0.9	1,766	1,766	1,766	1,766	1,766	8,830
52	Wholesale DE	3rd Party PPA	Online	NA	51,338	60,893	70,940	81,381	91,798	356,350
53										
54	Subtotal Non-Residential				543,452	556,816	570,624	584,929	599,163	2,855,035
55										
56	Total Targeted DE				1,134,477	1,215,222	1,290,686	1,366,547	1,442,387	6,449,320
57										
58										

Notes:

¹ All utility-owned Third Party projects are developed through a competitive RFP process, and all DE systems are built independently by Third Party developers and installers.

² Reported as incremental production (non-annualized).

³ Reported as annualized production.

⁴ Non-Incentive Installations defined as installations made by customers without taking a direct cash incentive and without transferring REC ownership to APS.

Exhibit 2B: Distributed Energy Compliance Table (MWh) ¹

This exhibit represents actual and forecasted 2014-2020 RES DE compliance totals compared with where APS's compliance position would be if the Company were allowed to count independent, non-incentive customer installations towards its RES compliance reporting. The non-incented installations shown below represent actual non-incentive installations to date for 2014 and 2015, as well as forecasted DE customer growth absent any new incentive program funding for 2016-2020.

Line No		2014	2015	2016	2017	2018	2019	2020	Line No
1	Residential DE (MWh)								1
2									2
3	Residential (incented/owned) ²	292,320	292,320	292,320	292,320	292,320	292,320	292,320	3
4	Non-incented Installations ³	89,649	182,598	298,705	366,086	427,692	489,298	550,904	4
5	Total	381,969	474,918	591,025	658,406	720,012	781,618	843,224	5
6									6
7	Non-Residential DE (MWh)								7
8									8
9	Non-Residential (incented/owned) ⁴	432,368	490,829	515,149	524,155	533,655	543,552	553,428	9
10	Non-incented Installations ³	19,587	23,945	28,303	32,661	37,019	41,377	45,735	10
11	Total	451,955	514,774	543,452	556,816	570,674	584,929	599,163	11
12									12
13	Total DE (MWh)								13
14									14
15	Residential & Non-Residential (incented/owned)	724,688	783,149	807,469	816,475	825,975	835,872	845,748	15
16	Non-incented Installations ³	109,236	206,543	327,008	398,747	464,711	530,675	596,639	16
17	Total	833,924	989,692	1,134,477	1,215,222	1,290,686	1,366,547	1,442,387	17
18									18
19	RES DE Requirements (MWh)								19
20	Total DE Requirements	372,182	430,485	513,380	608,929	709,397	813,806	917,982	20
21	Residential/Non-Residential Requirements	186,091	215,242	256,690	304,464	354,698	406,903	458,991	21

Notes:

- ¹ If APS were allowed to count non-incented installations towards its RES DE compliance requirements, APS anticipates total installations projected to be installed though 2016 would:
- advance residential compliance from 2016 to 2022,
 - have no impact on non-residential compliance, and
 - advance overall DE compliance from 2018 to 2021.

If APS were allowed to count non-incented installations towards its RES DE compliance requirements, APS anticipates total installations projected to be installed though 2020 would:

- advance residential compliance from 2016 to 2025,
- advance non-residential compliance from 2021 to 2022, and
- advance overall DE compliance from 2019 to 2022.

² Includes UFI DE and Flagstaff Community Power Project.

³ Non-incented installations defined as installs made by customers without taking a direct cash incentive and without transferring REC ownership to APS.

⁴ Includes UFI, PBI, and Wholesale DE programs

Exhibit 2C: Distributed Energy Compliance Graph

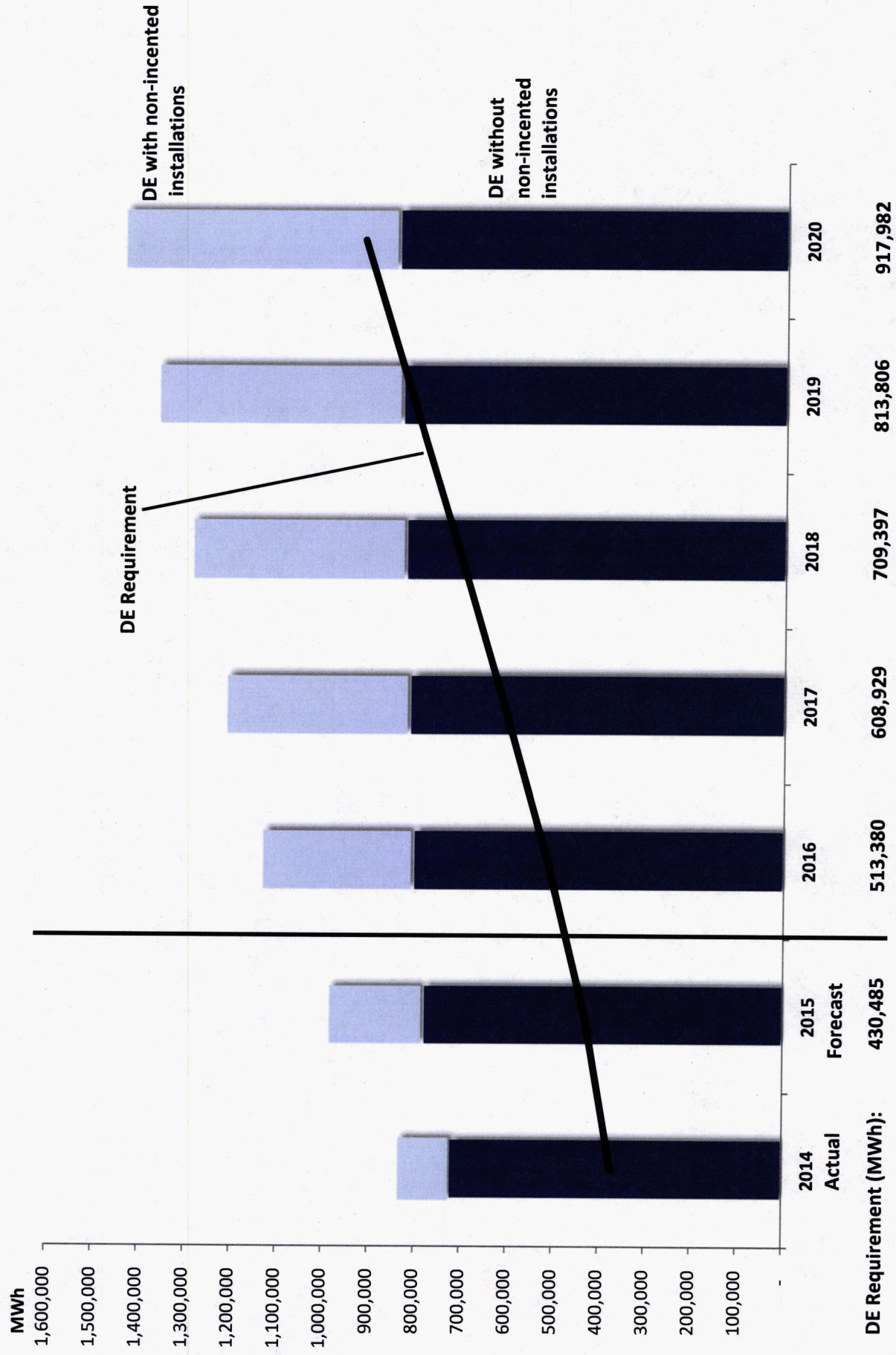


Exhibit 3A: 2016 RES IP Summary Budget

Line No.	2016	2017	2018	2019	2020	Total
Renewable Generation						
Renewable Generation Contracts and Operation and Maintenance						
1						
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Customer Sited Distributed Energy						
Existing Contracts and Commitments						
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35						
Non-Energy Distributed Energy Costs						
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Offsets to Base Budget						
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Notes:

- Assumes rate case adjudication in July 2017.
- Includes RES costs totaling approximately \$0.2M for Sexton (Glendale Landfill) PPA for 2014-2017.
- Third-party owned portion of the current 2011, 2012, and expanded Schools and Government Programs.
- APS owned portion of the 2011 and 2012 School and Government Programs.
- Includes revenue requirements for the production metering as required by Decision No 72737.

Exhibit 3B: Targeted RES Resource Costs (in \$Ms)

Line No.	Targeted Generation Resources ¹ :	Ownership	COMPETITIVELY CONFIDENTIAL ¹ Projected RES Cost per Year ^{2,3}					Total	Line No.
			2016	2017	2018	2019	2020		
1	Solar:								1
2	Ajo	3rd Party PPA							2
3	Prescott	3rd Party PPA							3
4	Badger	3rd Party PPA							4
5	Gillespie	3rd Party PPA							5
6	Saddle Mountain	3rd Party PPA							6
7	Solana CSP	3rd Party PPA							7
8	Chino Valley	APS							8
9	Foothills I/II	APS							9
10	Hyder II	APS							10
11	Gila Bend	APS							11
12	Luke AFB	APS							12
13	Desert Star	APS							13
14									14
15	Wind:								15
16	Aragonne Mesa	3rd Party PPA							16
17	High Lonesome	3rd Party PPA							17
18	Perrin Ranch	3rd Party PPA							18
19									19
20	Geothermal:								20
21	Salton Sea/CE Turbo	3rd Party PPA							21
22									22
23	Biomass/Biogas:								23
24	Snowflake ³	3rd Party PPA							24
25	Sexton (Glendale Landfill) ⁴	3rd Party PPA							25
26	Northwest Regional Landfill Gas	3rd Party PPA							26
27									27
28	Subtotal Targeted Generation ⁴		\$ 96.6	\$ 74.1	\$ 40.9	\$ 41.5	\$ 42.4	\$ 295.6	28
29	Targeted and Expected Distributed Energy Resources:								29
30									30
31									31
32	Non-Residential:								32
33	PBI Installations	Customer-Sited DE	\$ 24.4	\$ 24.4	\$ 24.3	\$ 23.6	\$ 23.0	\$ 119.7	33
34	DE RFP	Customer-Sited DE	5.6	5.0	5.0	4.8	4.9	25.3	34
35	Schools & Government (3rd-Party Owned)	Customer-Sited DE	7.7	7.7	7.7	7.7	7.7	38.6	35
36	Schools & Government (Utility-Owned)	APS	4.7	2.2	-	-	-	6.9	36
37	Flagstaff Community Power Project	APS	0.2	0.1	-	-	-	0.3	37
38									38
39	SubTotal Non-Residential Distributed Energy (line 36 + line 46)		\$ 42.6	\$ 39.5	\$ 37.0	\$ 36.1	\$ 35.6	\$ 190.8	39
40	Total Targeted Energy Costs ⁴ (line 29 + line 46)		\$ 139.2	\$ 113.6	\$ 77.9	\$ 77.7	\$ 78.0	\$ 486.4	40
41	Notes:								41

¹ Redacted due to the competitively confidential nature of the information.

² Assumes July 2017 rate case adjudication.

³ Expected costs of Wholesale DE included in costs associated with Snowflake White Mountain Power, and not included in DE section.

⁴ Includes RES costs totaling approximately \$0.1M for Sexton (Glendale Landfill) PPA for 2016-2020.

Exhibit 3C: Lifetime Authorization Production Based Incentive status (\$M)

Line No.	Year	Authorization	Description	PBI Lifetime Authorization:
1	2008 ^{1,2}	\$ 250.0	DE RFP Lifetime Budget	
2	2009 ³	220.0	Standard PBI Lifetime Budget	
3	2010 ⁴	100.0	Standard PBI Lifetime Budget	
4	2011 ⁵	100.0	Standard PBI Lifetime Budget (\$73M), School and Government PBI (\$27M)	
5	2012 ⁶	95.8	Standard PBI Lifetime Budget (\$30M), School and Government PBI (\$65.8M)	
6	2013 ⁷	6.0	Expanded School and Government PBI	
7		\$ 771.8	APS's Approved Lifetime PBI Authorization	
8				
9				
10				
11				
12				
13				
14				
15				
16				

Retirement of Authorizations from Completed Programs:

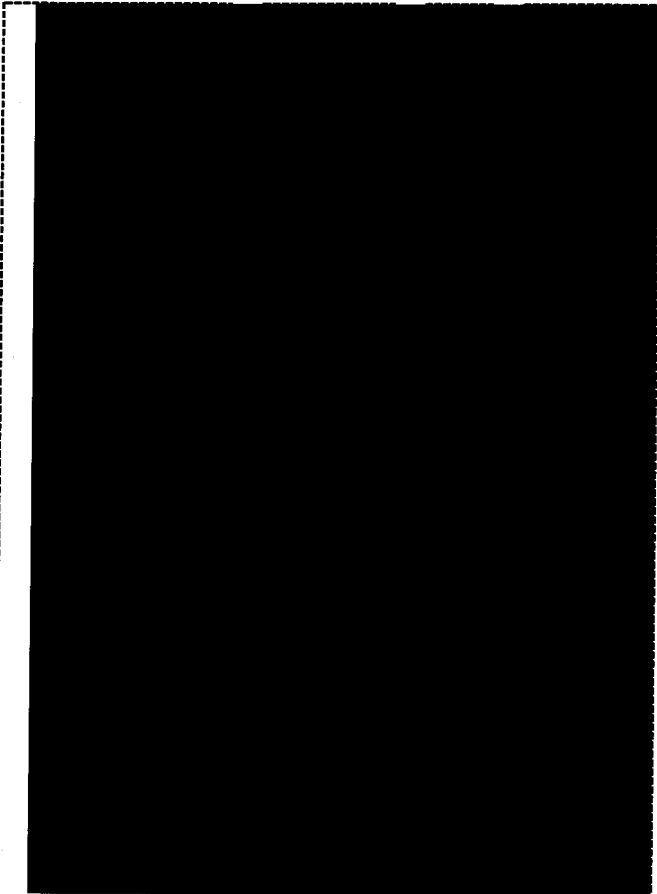
\$	(74.9)	DE RFP ⁸
	(32.3)	Standard PBI (2009 - 2012)
	(22.4)	School & Government PBI (2011-2012)
	10.4	Retained for Expanded School and Government PBI ⁹
\$	652.6	Total Remaining Lifetime PBI Authorization

Line No.	2016	2017	2018	2019	2020
17	Total PBI Commitment	\$ 652.6	\$ 652.6	\$ 652.6	\$ 652.6
18	Cumulative PBI Incentive Payments	134.0	171.7	208.9	245.9
19	Annual PBI Payment (Projected)	37.7	37.1	37.0	36.1
20	Remaining PBI Commitment	\$ 480.9	\$ 443.7	\$ 406.7	\$ 370.6
21					
22					

Notes:

- ¹ Pursuant to Decision No. 71459, APS was authorized a total lifetime PBI Budget Authorization cap of \$250 million for the DE RFP.
- ² Pursuant to Decision No. 72022, APS was authorized to commit \$25 million of its DE RFP authorization to the Innovative Technologies Program.
- ³ Pursuant to Decision No. 71254, the total lifetime PBI budget through and including 2009 is \$220 million of total contract commitments.
- ⁴ Pursuant to Decision No. 71459, APS was authorized an additional \$100 million per year lifetime commitment authorization.
- ⁵ Pursuant to Decision Nos. 72022 and 72174, in 2011, APS committed \$27 million of its Lifetime PBI Budget Authorization towards the Schools and Government program.
- ⁶ Pursuant to Decision No. 72737, \$30 million allocated to non-residential PBI and \$65.8 million to 2012 S&G.
- ⁷ Pursuant to Decision No. 73636, ACC authorized \$6M in new PBI program funds and a shift in \$23.5M of unallocated DE RFP funds to support anticipated 2012 S&G program needs.
- ⁸ Includes \$25M previously allocated to Innovative Technologies and \$49.9M in project commitment reduction due to cancellation of a portion of the DE RFP program.
- ⁹ Additional lifetime PBI authorization to complete program approved pursuant to Decision No. 72737.

Exhibit 3D: Third Party APS IP Renewable Generation RES Costs (\$/MWh)

		2016	2017	2018	2019	2020	Line No.
Line No.	Existing Contracts:						
1	Solar:						1
2	Ajo						2
3	Prescott						3
4	Badger						4
5	Gillespie						5
6	Saddle Mountain						6
7	Solana CSP						7
8							8
9	Wind:						9
10	Aragonne Mesa						10
11	High Lonesome						11
12	Perrin Ranch						12
13							13
14	Geothermal:						14
15	Salton Sea/CE Turbo						15
16							16
17	Biomass/Biogas:						17
18	Snowflake White Mountain Power ¹						18
19	Sexton (Glendale Landfill)						19
20	Northwest Regional Landfill Gas						20

Notes:

¹ This project is split between Renewable Generation (RG) and Distributed Energy (DE).

Exhibit B

Summary of APS 2016 RES Implementation Plan

Summary of APS's 2016 Renewable Energy Standard Implementation Plan

Arizona Public Service (APS or Company) is required by the Renewable Energy Standard (RES) to achieve 6.0 percent of retail sales with renewable resources by year-end 2016, increasing annually to 10.0 percent in 2020.

Arizona Public Service Company's 2016-2020 Renewable Energy Standard (RES) Implementation Plan (Plan) requests funding approval for existing program commitments and deployment of previously authorized programs. APS expects to achieve compliance with its 2016 RES requirements.

Renewable Generation. In Decision No. 74237, the Commission authorized APS to move ahead with 20 MW of utility-scale, renewable generation (RG) projects under the AZ Sun Program. These projects include a 10 megawatt (MW) solar facility at Luke Air Force Base and the 10 MW Desert Star Solar Plant at the City of Phoenix's Buckeye landfill. Both projects are expected to be in commercial operation in the third quarter of 2015.

Distributed Generation. Consistent with Commission requirements on incentive funding step downs and APS performance with the distributed generation (DG) requirements, APS ceased offering direct cash incentives for residential and non-residential solar PV grid-tied resources as of the end of 2013. As of June 3, 2015, 22,394 residential customers and 995 non-residential customers have received incentives to interconnect PV systems, with associated capacity of 153.6 MW-AC and 231.1 MW-AC respectively. Based upon these currently installed resources, as well as commitments from previously approved program budgets, APS projects it will be in compliance with non-residential energy targets through 2020 and residential DG energy targets through 2016. APS is not requesting funding for new solar PV grid-tied resource incentives in the Plan. The above DG forecast does not include renewable energy credits (RECs) associated with non-incented installations. Through June 3, 2015, 10,831 residential PV grid-tied systems for 80 MW-AC and 214 non-residential PV systems for 13.7 MW-AC have been installed and interconnected without receiving direct cash incentives. Considering all installations, both incented and non-incented, along with projections based on the current rate of solar installations, APS expects to meet residential DG compliance through 2022 and non-residential DG compliance through 2021 by the end of 2016.

Budget. The requested budget for APS's 2016 Plan consists of funding for previously authorized programs including PBI legacy payments, purchased power and revenue requirement costs, and administration of prior initiatives currently being implemented.

APS expects the total base budget for PBI and other DG legacy costs, PPA projects, and APS-owned projects in 2015 to be \$147.9 and the five-year total for the 2016-2020 Plan to be \$538.1 million, not including any funding offsets.

Exhibit C

PowerPoint Summary of APS 2016 RES Implementation Plan

Arizona Public Service Company

**2016-2020 Renewable Energy Standard
Implementation Plan**

July 1, 2015





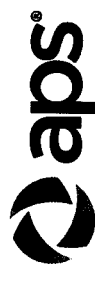
2016 RES Implementation Plan Overview

- APS expects to achieve compliance with its 2016 RES requirements, provided all the resources discussed in the Plan are authorized and continued as previously approved in prior Commission decisions
- The Company expects also to maintain its renewable energy obligations in 2016 in accordance with APS's 2009 Settlement Agreement
- APS requests a \$147.9M budget (\$118.2M through RES adjustor) to meet prior commitments and manage on-going programs



Renewable Generation – AZ Sun

- Two projects were authorized: Luke Air Force Base (10 MW) and the Desert Star Solar Plant at the City of Phoenix's Buckeye Landfill (10 MW)
- APS expects both projects will be in commercial operation by the third quarter of 2015



Distributed Generation

- Counting only incented PV grid-tied DG resources, APS expects to be in compliance with non-residential energy RES targets through 2020 and residential energy RES targets through 2016
- As of June 28, 2015, 22,394 residential customers and 999 non-residential customers have received incentives to interconnect PV systems (153.6 MWac and 231.4 MWac, respectively)

Distributed Generation (cont)

- Through June 28, 2015, 11,338 residential PV grid-tied systems for 84 MWac and 220 non-residential PV systems for 13.9 MWac have been installed and interconnected without receiving direct cash incentives
- Considering all installations projected by the end of 2016, APS expects to meet residential DG compliance through 2022 and non-residential DG compliance through 2021
- APS is not seeking authorization for an extension of the existing solar water heating incentive program

Exhibit D

Proposed Adjustment Schedule REAC-1



ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY STANDARD

APPLICATION

The Renewable Energy Standard Adjustment Schedule applies to all retail Standard Offer and Direct Access service. This schedule recovers expenditures approved by the Arizona Corporation Commission ("Commission") in APS's annual Implementation Plan for the Renewable Energy Standard.

The rates will be revised annually, effective on the first billing cycle in January, or as otherwise ordered by the Commission, and will not be prorated. Further information may be found in the Arizona Administrative Code A.A.C. R14-2-1808 and Commission Decision Nos. 73183, 74237, 74883, and 74949.

All provisions of the customer's current applicable rate schedule will apply in addition to this adjustment schedule. Adjustment schedules REAC-1 and DSMAC-1 may be combined and shown on the "Environmental Benefits Surcharge" line of the monthly bill.

RATES

The monthly bill for each service account will be calculated at the following rates and surcharge caps:

A. kWh Charge \$0.010963 per kWh

B. Surcharge Caps (per service account per month)

Residential Customers	\$4.39
Non-residential Customers:	
Extra Small/Small	\$162.88
Medium	\$274.08
Large	\$548.15
Extra Large	\$3562.00

C. Alternative Surcharge Caps, Flat Charges and Minimum Charges for Certain Customers with Distributed Generation

This section will apply to:

- Customers who installed a distributed generator and received an incentive after July 1, 2012 and
- Customers who installed a distributed generator and interconnected to the APS system after February 1, 2013, regardless of incentive.

Customers who installed a distributed generator prior to July 1, 2012 and those that installed a generator before February 1, 2013, but did not receive an incentive, will be billed according to sections A and B above.



ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY STANDARD

Rates Section C. (Cont.)

Residential Customers ¹	\$4.00	Flat charge per month
Non-residential Customers:		
Extra Small ²	\$9.15	Minimum charge per month
	\$162.88	Surcharge cap
Small ²	\$45.77	Minimum charge per month
	\$162.88	Surcharge cap
Medium ¹	\$235.06	Flat charge per month
Large ¹	\$479.33	Flat charge per month
Extra Large ¹	\$3562.00	Flat charge per month

Notes:

1. The billed amount for a flat charge per month will be the stated charge and will not include the kWh charge under Section A.
2. The billed amount for extra small and small non-residential customers will be the kWh charge under section A subject to the minimum charges and surcharge caps.

NON-RESIDENTIAL CUSTOMER BILLING CATEGORIES

Non-residential customers served under the following "parent" retail rate schedules will be billed under the corresponding surcharge categories.

<u>Surcharge Category</u>	<u>Retail Rate</u>
Extra-small	E-47, E-58, E-59, Contract 12, E-67, E-36M (small option)
Medium	E-32 M, E-32TOU M
Large	E-32 L, E-32TOU L, E-36M (medium option), GS-Schools L
Extra-large	E-34, E-35, E-36 XL

For customers served under the following rate schedules, the surcharge category will be based on the monthly billing demand.

<u>Surcharge Category</u>	<u>Retail Rate</u>	<u>Monthly Billing Demand</u>
Extra-small	E-221, E-221 8T	20 kW and less
Small	E-221, E-221 8T	21 - 100 kW
Medium	E-221, E-221 8T	101- 400 kW
Large	E-221, E-221 8T	> 400 kW
Extra-small	GS-Schools M	20 kW and less
Small	GS-Schools M	21 - 100 kW
Medium	GS-Schools M	> 100 kW
Extra-small	E-20	20 kW and less
Small	E-20	> 20 kW

Exhibit E

Proposed Adjustment Schedule REAC-1 (Redlined)



ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY STANDARD

APPLICATION

The Renewable Energy Standard Adjustment Schedule applies to all retail Standard Offer and Direct Access service. This schedule recovers expenditures approved by the Arizona Corporation Commission ("Commission") in APS's annual Implementation Plan for the Renewable Energy Standard.

The rates will be revised annually, effective on the first billing cycle in January, or as otherwise ordered by the Commission, and will not be prorated. Further information may be found in the Arizona Administrative Code A.A.C. R14-2-1808 and Commission Decision Nos. 73183, 74237, 74883, and 74949.

All provisions of the customer's current applicable rate schedule will apply in addition to this adjustment schedule. Adjustment schedules REAC-1 and DSMAC-1 may be combined and shown on the "Environmental Benefits Surcharge" line of the monthly bill.

RATES

The monthly bill for each service account will be calculated at the following rates and surcharge caps:

A. kWh Charge ~~\$0.011060~~ per kWh
 0.010963

B. Surcharge Caps (per service account per month)

Residential Customers	\$4.424.39
Non-residential Customers:	
Extra Small/Small	\$164.32162.88
Medium	\$276.50274.08
Large	\$553.00548.15
Extra Large	\$3,594.003562.00

C. Alternative Surcharge Caps, Flat Charges and Minimum Charges for Certain Customers with Distributed Generation

This section will apply to:

- Customers who installed a distributed generator and received an incentive after July 1, 2012 and
- Customers who installed a distributed generator and interconnected to the APS system after February 1, 2013, regardless of incentive.

Customers who installed a distributed generator prior to July 1, 2012 and those that installed a generator before February 1, 2013, but did not receive an incentive, will be billed according to sections A and B above.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Charles A. Miessner
Title: Manager, Regulation and Pricing
Original Effective Date: May 1, 2008

A.C.C. No. ~~5884XXXX~~
Canceling A.C.C. No. ~~58385844~~
Adjustment Schedule REAC-1
Revision No. 910
Effective: ~~January 1, 2015~~ XXXXXXXXXX



ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY STANDARD

Rates Section C. (Cont.)

Residential Customers ¹	\$3,994.00	Flat charge per month
Non-residential Customers:		
Extra Small ²	\$9,409.15 \$164.32162.88	Minimum charge per month Surcharge cap
Small ²	\$46,1845.77 \$164.32162.88	Minimum charge per month Surcharge cap
Medium ¹	\$241.42235.06	Flat charge per month
Large ¹	\$531.93479.33	Flat charge per month
Extra Large ¹	\$3594.003562.00	Flat charge per month

Notes:

1. The billed amount for a flat charge per month will be the stated charge and will not include the kWh charge under Section A.
2. The billed amount for extra small and small non-residential customers will be the kWh charge under section A subject to the minimum charges and surcharge caps.

NON-RESIDENTIAL CUSTOMER BILLING CATEGORIES

Non-residential customers served under the following "parent" retail rate schedules will be billed under the corresponding surcharge categories.

<u>Surcharge Category</u>	<u>Retail Rate</u>
Extra-small	E-47, E-58, E-59, Contract 12, E-67, E-36M (small option)
Medium	E-32 M, E-32TOU M
Large	E-32 L, E-32TOU L, E-36M (medium option), GS-Schools L
Extra-large	E-34, E-35, E-36 XL

For customers served under the following rate schedules, the surcharge category will be based on the monthly billing demand.

<u>Surcharge Category</u>	<u>Retail Rate</u>	<u>Monthly Billing Demand</u>
Extra-small	E-221, E-221 8T	20 kW and less
Small	E-221, E-221 8T	21 - 100 kW
Medium	E-221, E-221 8T	101- 400 kW
Large	E-221, E-221 8T	> 400 kW
Extra-small	GS-Schools M	20 kW and less
Small	GS-Schools M	21 - 100 kW
Medium	GS-Schools M	> 100 kW
Extra-small	E-20	20 kW and less
Small	E-20	> 20 kW

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Charles A. Miessner
Title: Manager, Regulation and Pricing
Original Effective Date: May 1, 2008

A.C.C. No. ~~5884XXXX~~
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Adjustment Schedule REAC-1
Revision No. ~~910~~
Effective: ~~January 1, 2015XXXXXXXXXX~~

Exhibit F

Proposed Rate Rider Schedule LFCR-DG



**RATE RIDER SCHEDULE LFCR DG
RESIDENTIAL SERVICE
INTERIM ADJUSTMENT FOR NEW DISTRIBUTED
GENERATORS**

AVAILABILITY

This rate rider schedule is available in all territory served by the Company.

APPLICATION

This rate rider schedule is applicable to residential customers that have a distributed generation facility on their premises that is serving a portion of or all of the customer's electric requirements.

A distributed generation facility is an electrical generator, other than a mobile emergency backup unit, sited on the customer's premises, such as, but not limited to renewable resources, a fuel cell, or CHP.

This schedule shall not apply to customers that (1) installed a distributed generation facility through APS's interconnection process prior to January 1, 2014 or (2) submitted an application for interconnection and a signed contract with an installer to APS prior January 1, 2014.

This schedule shall not apply to customers being served under retail rate schedules ECT-1R and ECT-2 or successor demand-based rate schedules.

All provisions of the customer's retail rate schedule and other applicable riders will continue to apply.

CHARGES

The charges below shall be applied to the nameplate kW-DC power rating of the distributed generation facility and shall be effective beginning with the first billing cycle in May 2014, without proration.

These charges may be revised from time to time as approved by the Arizona Corporation Commission. However, the revised amounts shall only apply to customers that submit a signed contract with an installer to APS after the revision is approved. Other distributed generation facilities shall continue to be subject to the prior charge (or charges). These successive tranches of charges shall remain in place until at least APS's next rate case, at which time all charges are subject to change.

This "grandfathering" of charges until APS's next rate case shall pertain to the distributed generation facility and the premises where it is sited and is not restricted to the current homeowner or customer of record.

Any customer found to have not registered their distributed generation facility with APS through the application and interconnection process when their distributed generation facility was installed shall, upon such finding, be subject to the "Generators not registered with APS" charge. This charge shall apply in each monthly billing cycle that the distributed generation facility is operated, beginning in the month of detection by APS and ending when the facility is shut off, for a minimum of one monthly charge. When the facility is restarted through APS's interconnection process, the facility shall be subject to the regular LFCR DG adjustment charge.

Monthly Charges (apply one of the following charges):

LFCR DG adjustment	\$0.70	Per kW-DC of generation
Generators not registered with APS	\$3.00	Per kW-DC of generation

Exhibit G

Proposed Rate Rider Schedule LFCR-DG (Redlined)



**RATE RIDER SCHEDULE LFCR DG
RESIDENTIAL SERVICE
INTERIM ADJUSTMENT FOR NEW DISTRIBUTED
GENERATORS**

AVAILABILITY

This rate rider schedule is available in all territory served by the Company.

APPLICATION

This rate rider schedule is applicable to residential customers that have a distributed generation facility on their premises that is serving a portion of or all of the customer's electric requirements.

A distributed generation facility is an electrical generator, other than a mobile emergency backup unit, sited on the customer's premises, such as, but not limited to renewable resources, a fuel cell, or CHP.

This schedule shall not apply to customers that (1) installed a distributed generation facility through APS's interconnection process prior to January 1, 2014 or (2) submitted an application for interconnection and a signed contract with an installer to APS prior January 1, 2014.

This schedule shall not apply to customers being served under retail rate schedules ECT-1R and ECT-2 or successor demand-based rate schedules.

All provisions of the customer's retail rate schedule and other applicable riders will continue to apply.

CHARGES

The charges below shall be applied to the nameplate kW-DC power rating of the distributed generation facility and shall be effective beginning with the first billing cycle in May 2014, without proration.

These charges may be revised from time to time as approved by the Arizona Corporation Commission. However, the revised amounts shall only apply to customers that submit a signed contract with an installer to APS after the revision is approved. Other distributed generation facilities shall continue to be subject to the prior charge (or charges). These successive tranches of charges shall remain in place until at least APS's next rate case, at which time all charges are subject to change.

This "grandfathering" of charges until APS's next rate case shall pertain to the distributed generation facilitiesystem and the premises where it is sited and is not restricted to the current homeowner or customer of record.

Any customer found to have not registered their distributed generation facilitiesystem with APS through the application and interconnection process when their distributed generation facilitiesystem was installed shall, upon such finding, be subject to the "Generators not registered with APS" charge. This charge shall apply in each monthly billing cycle that the distributed generation facility is operated, beginning in the month of detection by APS and ending when the facility is shut off, for a minimum of one monthly charge. When the facility is restarted through APS's interconnection process, the facility shall be subject to the regular LFCR DG adjustment charge.

Monthly Charges (apply one of the following charges):

LFCR DG adjustment	\$0.70	Per kW-DC of generation
Generators not registered with APS	\$3.00	Per kW-DC of generation

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: Charles A. Miessner
Title: Pricing Manager
Original Effective Date: January 1, 2014

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Rate Rider Schedule LFCR DG
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